

House of Representatives, March 19, 1998. The Committee on Banks reported through REP. MCCAVANAGH, 12th DIST., Chairman of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING BANK INVESTMENTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 36a-250  
2 of the general statutes, as amended by section 1  
3 of public act 97-317, is repealed and the  
4 following is substituted in lieu thereof:

5 (a) Except as otherwise provided in  
6 subsection (b) of this section, a Connecticut bank  
7 may:

8 (1) Transact a general banking business and  
9 exercise by its governing board or duly authorized  
10 officers or agents, subject to applicable law, all  
11 such incidental powers as are necessary thereto.  
12 The express powers authorized for a Connecticut  
13 bank under subdivisions (2) to (38), inclusive, of  
14 this subsection do not preclude the existence of  
15 additional powers deemed to be incidental to the  
16 transaction of a general banking business pursuant  
17 to this subdivision;

18 (2) (A) Receive deposits as authorized by and  
19 subject to the provisions of sections 36a-290 to  
20 36a-305, inclusive, section 36a-307, sections  
21 36a-315 to 36a-323, inclusive, and sections  
22 36a-330 to 36a-338, inclusive, including: (i)  
23 Savings deposits; (ii) time deposits; (iii) demand

24 deposits; (iv) public funds or money held in a  
25 fiduciary capacity; (v) school savings funds; and  
26 (vi) club deposits; and (B) pay interest or  
27 dividends thereon;

28 (3) Act as a depository of court and trust  
29 funds;

30 (4) PURCHASE AND SELL COINS AND BULLION;

31 [(4)] (5) Receive for safekeeping or  
32 otherwise all kinds of personal property,  
33 including papers, documents and evidences of  
34 indebtedness;

35 [(5)] (6) Conduct a safe deposit business on  
36 its banking premises;

37 [(6)] (7) Act (A) as guardian or conservator  
38 of the estate of any person, but not of the  
39 person, (B) as a trustee, receiver, executor or  
40 administrator, or (C) in any other fiduciary  
41 capacity, all without bond unless a bond is  
42 ordered by the court;

43 [(7)] (8) Act as agent or attorney in fact  
44 for the holders of securities or the owners of  
45 real estate;

46 [(8)] (9) Act as transfer agent or registrar  
47 of stocks and bonds;

48 [(9)] (10) Execute and deliver signature  
49 guaranties as may be incidental or usual in the  
50 transfer of investment securities;

51 [(10)] (11) Act as agent, fiscal agent or  
52 trustee for any corporation or for holders of  
53 bonds, notes or other securities, and pledge  
54 assets to secure deposits in its banking  
55 department when (A) made by it as trustee under a  
56 trust indenture for the holders of revenue bonds  
57 issued by this state, any municipality, district,  
58 municipal corporation or authority or political  
59 subdivision thereof, and the express provisions of  
60 the authority or its political subdivision, and  
61 the express provisions of the trust indenture  
62 require the deposit to be so secured, (B) made by  
63 it as fiscal agent for a housing authority in  
64 connection with a federally-assisted housing  
65 project and federal regulations or other  
66 requirements call for the deposits to be so  
67 secured or (C) made by it to secure deposits in  
68 individual retirement accounts and qualified  
69 retirement plan accounts, established in  
70 accordance with the applicable provisions of the  
71 Internal Revenue Code of 1986, or any prior or

72 subsequent corresponding internal revenue code of  
73 the United States, as from time to time amended,  
74 where such deposits exceed the maximum of federal  
75 deposit insurance available for such accounts;

76 [(11)] (12) Act as fiscal agent for this  
77 state or any of its political subdivisions when  
78 authorized by the executive head of this state or  
79 of the political subdivision;

80 [(12)] (13) Act as agent (A) in the  
81 collection of taxes for any qualified treasurer of  
82 any taxing district or qualified collector of  
83 taxes or (B) for any electric, gas, water or  
84 telephone company operating within this state in  
85 receiving moneys due that company for utility  
86 services furnished by it;

87 [(13)] (14) Act as agent for the sale, issue  
88 and redemption of obligations of the United States  
89 and pledge assets to the United States or to the  
90 proper federal reserve bank for its obligations as  
91 that agent;

92 [(14)] (15) (A) Act as agent for an insured  
93 depository institution affiliate in receiving  
94 deposits, renewing time deposits, closing loans,  
95 servicing loans and receiving payments on loans  
96 and other obligations, and in so doing shall not  
97 be considered to be a branch of such affiliate;

98 (B) A Connecticut bank may not conduct any  
99 activity as an agent under subparagraph (A) of  
100 this subdivision which such bank is prohibited  
101 from conducting as a principal;

102 [(15)] (16) Act as treasurer of any  
103 organization exempt from federal income taxation  
104 under Section 501 of the Internal Revenue Code of  
105 1986, or any subsequent corresponding internal  
106 revenue code of the United States, as from time to  
107 time amended;

108 [(16)] (17) Establish a charitable fund,  
109 either in the form of a charitable trust or a  
110 nonprofit corporation to assist in making  
111 charitable contributions, provided (A) the trust  
112 or nonprofit corporation is exempt from federal  
113 income taxation and may accept charitable  
114 contributions under Section 501 of the Internal  
115 Revenue Code of 1986, or any subsequent  
116 corresponding internal revenue code of the United  
117 States, as from time to time amended, (B) the  
118 trust or nonprofit corporation's operations shall  
119 be disclosed fully to the commissioner upon

120 request, and (C) the trust department of the bank  
121 or one or more directors or officers of the bank  
122 act as trustees or directors of the fund;

123 [(17)] (18) In the discretion of a majority  
124 of its governing board, make contributions or  
125 gifts to or for the use of any corporation, trust  
126 or community chest, fund or foundation created or  
127 organized under the laws of the United States or  
128 of this state and organized and operated  
129 exclusively for charitable, educational or public  
130 welfare purposes, or of any hospital which is  
131 located in this state and which is exempt from  
132 federal income taxes and to which contributions  
133 are deductible under Section 501(c) of the  
134 Internal Revenue Code of 1986, or any subsequent  
135 corresponding internal revenue code of the United  
136 States, as from time to time amended;

137 [(18)] (19) Discount, purchase and sell  
138 accounts receivable, negotiable and nonnegotiable  
139 promissory notes, drafts, bills of exchange and  
140 other forms of indebtedness;

141 [(19)] (20) (A) Accept for payment at future  
142 dates drafts drawn upon it, and (B) except as  
143 provided in section 36a-299, sell or issue without  
144 charge negotiable checks or drafts drawn by or on  
145 the bank. Negotiable checks or drafts drawn, sold  
146 or issued by a bank may be drawn on that bank or  
147 be payable by or through another bank or  
148 out-of-state bank;

149 [(20)] (21) Make secured and unsecured loans  
150 and issue letters of credit as authorized by and  
151 subject to section 36a-260;

152 [(21)] (22) (A) Issue credit cards and debit  
153 cards and enter into card agreements with the  
154 bank's card holders and with other card issuers,  
155 (B) lend money to individuals, honor drafts and  
156 similar orders drawn or accepted, whether by  
157 written instrument or electronic transmission, and  
158 pay and agree to pay obligations incurred in  
159 connection with those agreements, (C) become  
160 affiliated with any credit card corporation or  
161 association, and (D) subject to sections 36a-155  
162 to 36a-159, inclusive, where applicable, provide  
163 electronic fund transfer facilities and services  
164 and enter into agreements with customers and other  
165 persons regarding the provision of such  
166 facilities;

167 [(22)] (23) Provide home banking services to  
168 customers as provided in section 36a-170;  
169 [(23)] (24) Contract for and pay the premiums  
170 upon life insurance in the amount of the unpaid  
171 balance due on loans;  
172 [(24)] (25) Borrow money and pledge assets  
173 therefor, and pledge assets to secure trust funds  
174 on deposit awaiting investment;  
175 [(25)] (26) Enter into leases of personal  
176 property acquired upon the specific request of and  
177 for the use of a prospective lessee;  
178 [(26)] (27) Make investments as authorized by  
179 this title;  
180 [(27)] (28) Sell to any person, including any  
181 state or federal agency or instrumentality, any  
182 loan or group of loans legally owned by the bank,  
183 repurchase any such loan or group of loans, and  
184 act as collecting, remitting and servicing agent  
185 in connection with any such loans and charge for  
186 its acts as agent. Any such bank is authorized to  
187 purchase the minimum amount of capital stock of  
188 the applicable agency or instrumentality if  
189 required by that entity to be purchased in  
190 connection with the assignment of loans to that  
191 entity and to hold and dispose of that stock;  
192 [(28)] (29) With the approval of the  
193 commissioner, deal in and underwrite, to the same  
194 extent as is permitted to a national banking  
195 association, obligations of: (A) The United States  
196 or any of its agencies; (B) any state or any  
197 political subdivision or instrumentality of the  
198 state or (C) Canada, any province of Canada or any  
199 political subdivision of Canada;  
200 [(29)] (30) Issue and sell securities which  
201 (A) are guaranteed by the Federal National  
202 Mortgage Association or any other agency or  
203 instrumentality authorized by state or federal law  
204 to create a secondary market with respect to loans  
205 of the type originated by the bank, or (B) subject  
206 to the approval of the commissioner, relate to  
207 loans originated by the bank and are guaranteed or  
208 insured by a financial guaranty insurance company  
209 or comparable private entity;  
210 [(30)] (31) Subject to the approval of the  
211 commissioner, authorize the issuance and sale of  
212 evidences of indebtedness, including debentures,  
213 debt instruments of all maturities and capital  
214 notes, at such times, in such amount and upon such

215 terms as are determined by the governing board,  
216 provided the issuance of such evidences of  
217 indebtedness which are payable on demand or mature  
218 within five years of their issuance or which are  
219 effected in the ordinary course of business do not  
220 require the approval of the commissioner. The  
221 proceeds of such evidences of indebtedness which  
222 mature after five years of their issuance which  
223 are subordinate to the claims of depositors upon  
224 liquidation of the bank shall be considered part  
225 of its capital for the purpose of computing any  
226 loan, deposit or investment limitation under this  
227 title;

228 [(31)] (32) With the approval of and upon  
229 such conditions and under such regulations as may  
230 be prescribed or adopted by the commissioner,  
231 establish and maintain one or more mutual funds  
232 and offer to the public shares or participations  
233 therein;

234 [(32)] (33) With the written approval of the  
235 commissioner: (A) Acquire, alter or improve real  
236 estate for present or future use in the business  
237 of the bank, except that approval of the  
238 commissioner is not necessary in case of the  
239 alteration or improvement of real estate already  
240 owned by the bank or a corporation controlled by  
241 it as provided in subsection (d) of section  
242 36a-276, if the expenditure for such purposes does  
243 not in any one calendar year exceed five per cent  
244 of the bank's equity capital and reserves for loan  
245 and lease losses or five hundred thousand dollars,  
246 whichever is less; (B) purchase real estate  
247 adjoining any parcel of real estate then owned by  
248 it and acquired in the usual course of business,  
249 provided the aggregate of all investments and  
250 loans authorized in subparagraphs (A) and (B) of  
251 this subdivision and in the equipment used by such  
252 bank in its operations, together with the amount  
253 of any indebtedness incurred by any corporation  
254 holding real estate of the bank and such bank's  
255 proportionate share, computed according to stock  
256 ownership, of any indebtedness incurred by any  
257 service corporation, does not exceed fifty per  
258 cent of the equity capital and reserves for loan  
259 and lease losses of the bank, unless the  
260 commissioner finds that the rental income from any  
261 part of the premises not occupied by the bank will  
262 be sufficient to warrant larger investment;

263 [(33)] (34) Convey any real estate owned by  
264 it at the price and upon such terms of payment as  
265 its governing board or an authorized committee  
266 thereof determines and sets forth in the bank's  
267 records. If any such sale is wholly or partly for  
268 credit, a note secured by a first mortgage on the  
269 real estate may evidence that credit. With the  
270 written approval of the commissioner, the bank may  
271 accept other real estate in whole or in part for  
272 any such conveyance;

273 [(34)] (35) Establish and maintain an  
274 international banking facility, as defined in  
275 regulations adopted by the Board of Governors of  
276 the Federal Reserve System, subject to such  
277 regulations as the commissioner may adopt, in  
278 accordance with chapter 54, to specify, and impose  
279 restrictions upon, the types of activities in  
280 which the international banking facility may  
281 engage;

282 [(35)] (36) Join the Federal Reserve System;

283 [(36)] (37) With the approval of the  
284 commissioner, join the Federal Home Loan Bank  
285 System and borrow funds as provided under federal  
286 law;

287 [(37)] (38) Even if not expressly authorized  
288 to exercise fiduciary powers, act as trustee or  
289 custodian of a plan which qualifies as part of a  
290 retirement plan for self-employed individuals or  
291 an individual retirement account under the  
292 provisions of the Internal Revenue Code of 1986,  
293 or any subsequent corresponding internal revenue  
294 code of the United States, as from time to time  
295 amended, if the governing instrument limits the  
296 investment of the funds held pursuant to such plan  
297 to the following investments: (1) Savings deposits  
298 and time deposits; and (2) with respect to  
299 retirement plans for self-employed individuals,  
300 notes of members in such plans which evidence the  
301 indebtedness of such members for funds borrowed  
302 from the plans. Funds held pursuant to any plan  
303 which so qualifies may be deposited in any  
304 Connecticut bank without regard to any statutory  
305 limit on the amount which such bank may have on  
306 deposit from one depositor; AND

307 [(38)] (39) Sell insurance and fixed and  
308 variable annuities directly, sell insurance and  
309 such annuities indirectly through a subsidiary, or  
310 enter into arrangements with third-party marketing

311 organizations for the sale by such third-party  
312 marketing organizations of insurance or such  
313 annuities on the premises of the Connecticut bank  
314 or to customers of the Connecticut bank; provided  
315 (A) such insurance and annuities are issued or  
316 purchased by or from an insurance company licensed  
317 in accordance with section 38a-41, and (B) the  
318 Connecticut bank, subsidiary or third-party  
319 marketing organization, and any officer or  
320 employee thereof, shall be licensed as required by  
321 section 38a-769 before engaging in any of the  
322 activities authorized by this subdivision. As used  
323 in this subdivision, "annuities" and "insurance"  
324 have the same meanings as set forth in section  
325 38a-1, except that "insurance" does not include  
326 title insurance. The provisions of this  
327 subdivision do not authorize a Connecticut bank or  
328 a subsidiary of a Connecticut bank to underwrite  
329 insurance or annuities.

330 Sec. 2. Subsection (a) of section 36a-275 of  
331 the general statutes, as amended by section 1 of  
332 public act 97-35, is repealed and the following is  
333 substituted in lieu thereof:

334 (a) As used in this section, the term "debt  
335 securities" means (1) any marketable obligation  
336 evidencing indebtedness of any person in the form  
337 of direct, assumed or guaranteed bonds, notes or  
338 debentures [commonly known as investment  
339 securities] OR ANY SECURITY THAT HAS ATTRIBUTES  
340 SIMILAR TO SUCH MARKETABLE OBLIGATIONS; (2) any  
341 obligation identified by certificates of  
342 participation in investments described in  
343 subdivision (1) of subsection (a) of this section  
344 in which a Connecticut bank could invest directly;  
345 or (3) repurchase agreements and the term "debt  
346 mutual fund" means a partnership interest in,  
347 shares of stock of, units of beneficial interest  
348 in or other ownership interest in any one  
349 investment company registered under the Investment  
350 Company Act of 1940, as from time to time amended,  
351 commonly described as mutual funds, money market  
352 funds, investment trusts or business trusts,  
353 provided the portfolios of such investment  
354 companies consist solely of investments described  
355 in subdivision (1) of subsection (a) of this  
356 section.

357 BA COMMITTEE VOTE: YEA 18 NAY 0 JF



\* \* \* \* \*

"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF MEMBERS OF THE GENERAL ASSEMBLY, SOLELY FOR PURPOSES OF INFORMATION, SUMMARIZATION AND EXPLANATION AND DO NOT REPRESENT THE INTENT OF THE GENERAL ASSEMBLY OR EITHER HOUSE THEREOF FOR ANY PURPOSE."

\* \* \* \* \*

**FISCAL IMPACT STATEMENT - BILL NUMBER HB 5277**

STATE IMPACT                      None, see explanation below

MUNICIPAL IMPACT                None

STATE AGENCY(S)                Department of Banking

**EXPLANATION OF ESTIMATES:**

There is no fiscal impact on the Department of Banking as a result of the passage of this bill.

Banking Department Examiners will review transactions involving the purchase and sale of coins and bullion during routine examinations of banks.

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**OLR BILL ANALYSIS**

HB 5277

**AN ACT CONCERNING BANK INVESTMENTS**

**SUMMARY:** This bill allows Connecticut-chartered banks to make investments similar to one type of debt security they can already invest in: marketable obligations that are direct, assumed or guaranteed bonds, notes, or debentures. The bill also gives these banks express authority to sell coins or bullion.

EFFECTIVE DATE: October 1, 1998

**COMMITTEE ACTION**

10

File No. 70

Banks Committee

Joint Favorable Report  
Yea 18      Nay 0